XR Immersive Tech Inc.
(Formerly Fantasy 360 Technologies Inc.)

Condensed Consolidated Interim Financial Statements
Three months ended March 31, 2022 and 2021

Expressed in Canadian Dollars

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed interim unaudited financial statements of XR Immersive Tech Inc. are the responsibility of the Company’s management. The condensed consolidated interim unaudited financial statements are prepared in accordance with International Financial Reporting Standards and reflect management’s best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company’s assets are safeguarded, transactions are authorized, and properly recorded, and financial information is reliable.

XR Immersive Tech Inc. (Formerly Fantasy 360 Technologies Inc.)
Condensed consolidated interim statements of financial position
(Expressed in Canadian dollars)

	Note		As at March 31, 2022		As at December 31, 2021
ASSETS					
Current assets					
Cash and cash equivalents	3	$	1,122,934	$	2,932,795
Prepaids			560,672		46,211
Other receivables			47,835		17,272
Government subsidy receivable	4		98,699		182,782
Government sales tax receivable			48,860		18,364
Inventory	5		229,742		144,018
			2,108,742		3,341,442
Non-current assets					
Investments	6,7		3,271,444		15
Equipment	8		38,840		32,506
Right-of-use asset	9		40,781		45,312
TOTAL ASSETS		**$**	**5,459,807**	**$**	**3,419,275**
LIABILITIES					
Current liabilities					
Trade payables	11	$	207,322	$	105,242
Accrued liabilities	11		171,000		188,973
Deferred revenue			95,945		64,486
Current portion of lease liability	9		15,562		13,977
Due to parent	11		919,109		1,119,109
Loan payable	12		2,819,363		2,560,172
			4,228,301		4,051,959
Non-current liabilities					
CEBA loan	13		42,685		40,727
Lease liability	9		29,414		33,822
TOTAL LIABILITIES			4,300,400		4,126,508
SHAREHOLDERS' EQUITY (DEFICIENCY)					
Share capital	14		6,439,821		2,998,007
Reserve	14		1,485,776		1,329,255
Deficit	14		(6,766,190)		(5,034,495)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)			1,159,407		(707,233)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**$**	**5,459,807**	**$**	**3,419,275**

Nature of operations and going concern – Note 1

See accompanying notes to the condensed consolidated interim financial statements

XR Immersive Tech Inc. (Formerly Fantasy 360 Technologies Inc.)
Condensed consolidated interim statements of loss and comprehensive loss
(Expressed in Canadian dollars)

	Note	Three months ended March31, 2022	2021
Revenue		$ 176,676	$ -
Cost of goods sold		82,749	-
		93,927	-
Expenses			
Depreciation	8	6,898	1,600
Bad debt expense		-	391
Consulting fees	11	225,540	62,495
Foreign exchange gain (loss)		(5,192)	323
General and administration		186,191	11,118
Interest and accretion	9,12,13	336,399	1,618
Professional fees		162,214	20,392
Rent		12,252	39,195
Research and development	10	185,597	338,070
Salaries and wages	11	351,838	34,389
Sales and marketing		171,111	30,654
Share-based compensation	11,14	526,806	-
Total expenses		(2,159,654)	(540,245)
Other Items			
Gain on investments		-	8,999
Interest and other income	4	219,600	124,240
		219,600	133,239
Net loss and comprehensive loss for the period		(1,846,127)	(407,006)
Loss per share - basic and diluted		**$ (0.02)**	**$ (0.01)**
Weighted average number of common shares outstanding for the period - basic and diluted		**82,584,753**	**63,308,820**

See accompanying notes to the condensed consolidated interim financial statements

XR Immersive Tech Inc. (Formerly Fantasy 360 Technologies Inc.)
Condensed consolidated interim statements of changes in shareholders' equity
(Expressed in Canadian dollars)

		Share Capital		Reserve				
	Note	Number of Shares	Amount	Contributed Surplus	Warrants	Total Reserve	Deficit	Total
Balance at January 1, 2021		**63,308,820**	**$ 1**	**$ -**	**$ -**	**$ -**	**$ (689,025)**	**$ (689,024)**
Net loss for the period		-	-	-	-	-	(407,006)	(407,006)
Balance at March 31, 2021		**63,308,820**	**$ 1**	**$ -**	**$ -**	**$ -**	**$ (1,096,031)**	**$ (1,096,030)**
Balance at January 1, 2022		**76,050,803**	**$ 2,998,007**	**$ 287,415**	**$ 1,041,840**	**$ 1,329,255**	**$ (5,034,495)**	**$ (707,233)**
Shares issued on Synthesis acquisition	14	14,342,856	3,441,814	-	-	-	114,432.00	3,556,246.00
Share-based payments	14	-	-	147,211	9,310	156,521	-	156,521
Net loss for the period		-	-	-	-	-	(1,846,127)	(1,846,127)
Balance at March 31, 2022		**90,393,659**	**$ 6,439,821**	**$ 434,626**	**$ 1,051,150**	**$ 1,485,776**	**$ (6,766,190)**	**$ 1,159,407**

See accompanying notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

	Three months ended March 31, 2022	2021
Operating activities		
Net loss for the period	$ (1,846,127)	$ (407,006)
Adjustments for non-cash items:		
Interest and Accretion	352,175	1,618
Depreciation	5,551	1,600
Foreign exchange gain	(5,192)	-
Loss (gain) on investment	-	(8,999)
Loss on settlement of related party debt	-	(15,251)
Shares issued on acquisition	114,431	-
Share-based compensation	526,806	-
Changes in non-cash working capital items:		
Prepaids	(514,461)	22,298
Trade receivables	(30,564)	63,565
Government sales tax receivable	(30,496)	(7,876)
Government subsidy receivable	84,083	-
Inventory	(85,723)	-
Trade payables	107,371	(61,266)
Accrued liabilities	(33,753)	(82,588)
Deferred revenue	31,459	33,320
Net cash flows used in operating activities	(1,324,440)	(460,585)
Investing activities		
Purchase of property and equipment	(7,353)	(4,886)
Acquisition of Synthesis	(200,000)	-
Net cash flows used in investing activities	(207,353)	(4,886)
Financing activities		
Proceeds from parent company	-	523,370
Repayments to parent company	(200,000)	-
Proceeds received in advance of share issuance	-	150,850
Coupon interest on loan payable	(72,986)	-
Payments on lease liability	(5,082)	-
Net cash flows from financing activities	(278,068)	674,220
Increase in cash	(1,809,861)	208,749
Cash, beginning	2,932,795	192,475
Cash, ending	**$ 1,122,934**	**$ 401,224**

See accompanying notes to the condensed consolidated interim financial statements

1. Nature of Operations and Going Concern

XR Immersive Tech Inc. (the "Company") (formerly Fantasy 360 Technologies Inc.) affected a name change on February 3, 2022. The Company is 64.30% owned by Victory Square Technologies Inc. ("Victory Square"). The Company provides immersive experiences primarily through the construction of interactive real-world simulations using VR and AR. The condensed consolidated financial statements comprise financial statements of the Company and its wholly owned subsidiary Synthesis VR Inc. ("Synthesis"), a company existing pursuant to the Laws of the State of California.

On September 3, 2021, the Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol VRAR. The Company's registered office is at Suite 401, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7. The head office and principal address of the Company is located at Unit 240, 577 Great Northern Way, Vancouver, British Columbia, V5T 1E1.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2022, the Company had a working capital deficit of $2,119,559 (December 31, 2021 – working capital deficit of $710,517) and an accumulated deficit of $6,766,190 (December 31, 2021 – $5,034,495). The Company does not have sufficient cash to sustain operations for the next twelve months without additional financing. The continued operations of the Company are dependent upon its ability to generate future cash flows and/or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due; however, they may not be at terms that are favorable to the Company. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern, and such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The pandemic has had an impact on the operations of the Company, including decreasing demand for the immersive experiences the Company offers and causing the Company to change focus to a scalable pre-built box product for sale. Management has monitored the effects of the pandemic on operations to date and continues to monitor the situation continuously. Management notes it could have a potential impact of increasing the difficulty to raise funding, finding target investments to acquire or to attain profitable operations.

2. Significant Accounting Policies

These condensed consolidated interim unaudited financial statements were authorized for issue on May 30, 2022, by the directors of the Company.

a) Statement of Compliance

These condensed interim unaudited financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards.

Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed interim unaudited financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended December 31, 2021.

The condensed interim unaudited financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended December 31, 2021.

b) Basis of Preparation

The condensed consolidated interim unaudited financial statements have been prepared on a historical cost basis, except for certain assets measured at fair value, and are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the Company.

Certain comparative figures have been restated to conform to the current period's presentation.

3. Cash and Cash Equivalents

As at March 31, 2022, the cash balance of $1,122,934 (December 31, 2022 - $2,932,795) was comprised entirely of cash and cash equivalents held in operating accounts.

4. Government subsidy receivable

During the period ended March 31, 2022, the Company applied for Government pandemic relief subsidies (the "subsidies"), of which $98,699 was received subsequent to period end. Included in other income for the period ended March 31, 2022, is a total of $219,600 in subsidies (March 31, 2021 - $124,241) including $10,271 from the Canada Emergency Rent Subsidy and $209,329 from the Tourism and Hospitality Recovery Program.

5. Inventory

During the year ended December 31, 2021, the Company began incurring costs related to the business line UNCONTAINED, with units for sale. As at March 31, 2022, inventory related to UNCONTAINED is comprised of the following:

		Units under Construction		Supplies Inventory		Total
Balance, January 1, 2022	$	140,699	$	3,319	$	144,018
Additions		49,892		35,832		85,724
Balance, March 31, 2022	$	190,591	$	39,151	$	229,742

6. Investments

On February 8, 2018, the Company purchased a 33.34% interest of Shape Immersive ("Shape") for $40 and advanced a working capital loan of $150,000 to Shape. The loan was unsecured, non-interest bearing and had no specified terms of repayment. On September 27, 2018, the Company's interest in Shape was reduced to 21.42%. From the date of the acquisition, the investment was accounted for under the equity method.

On August 11, 2021, the Company's interest was further diluted, and the Company's initial investment was exchanged for non-voting common shares. As a result, the Company no longer has significant influence over Shape and accordingly as of August 11, 2021, the investment is recorded at fair value of $15, resulting in a cumulative loss on investment of $3,239. No changes have occurred to this investment in the three months ended March 31, 2022. For the three months ended March 31, 2021, the Company recognized an equity loss of $$8,999.

7. Acquisition

On January 6, 2022, pursuant to a share purchase agreement (the "SPA"), the Company completed its acquisition of the all the issued and outstanding shares of Synthesis for aggregate consideration of $4,800,000 (the "Initial Purchase Price"). The Initial Purchase Price is payable as follows: (i) $150,000 in cash with on the date of closing of the Transaction (the "Closing Date"), (ii) $50,000 payable in cash on the 5th business day after the Closing Date, (iii) $200,000 payable in cash within 5 business days of the earlier of the closing of a first financing to occur following the Closing Date (the "First Financing Payment") and May 1, 2022, (iv) $100,000 payable in cash within 5 business days of the earlier of the closing of a second financing to occur following the Closing Date (the "Second Financing Payment"), and (v) $4,300,000 payable by the issuance of 12,285,714 XRI common shares of the Company at a deemed price per XRI share equal to $0.35, which such shares are subject to securities law mandated hold period lasting until June 19, 2022 and contractual escrow with tranche release over a period of 20 months (Note 13).

In addition to the Initial Purchase Price, subject to applicable laws and approval of the Canadian Securities Exchange, XRI has agreed to pay the Vendor up to $5,000,000 payable in cash or XRI shares in two separate earn-out periods, subject to and upon the achievement of certain performance milestones. The first earn-out milestone would be payable in cash or through the issuance of that number of XRI Shares being equal to a fraction, the numerator of which is $2,500,000, and the denominator of which is the price per First Tranche Earn-Out Share equal to the 10 trading day volume weighted average price of the XRI Shares ending on last day of the First Tranche Earn-Out Period, being December 31, 2022 (the "First Tranche Earn-Out").

Subject to the achievement of the Second Tranche Earn-Out Milestones either during the period from January 1, 2023 until December 31, 2023 (the "Second Tranche 2023 Period") or during the period from January 1, 2024 until December 31, 2024 (the "Second Tranche 2024 Period" and together with the First Tranche Earn-Out Period and the Second Tranche 2023 Period, the "Earn-Out Periods"), the Purchaser shall pay to the Vendors $2,500,000 in cash or by the issuance of XRI Shares (the "Second Tranche Earn-Out Shares" and together with the First Tranche Earn-Out Shares, the "Earn-Out Shares"), at the sole option of the Purchaser, at a price per Second Tranche Earn-Out Share equal to the 10 trading day volume weighted average price of the XRI Shares ending on either the last day of the Second Tranche 2023 Period or the last day of the Second Tranche 2024 Period, as applicable. (the "Second Tranche Earn-Out" and together with the First Tranche Earn-Out, the "Earn-Out"). All Earn-Out Shares issued will be subject to Contractual Escrow.

(Expressed in Canadian dollars)

8. Equipment

		Computer Equipment		Furniture and Other Equipment		Total
Cost						
Balance, January 1, 2022	$	32,756	$	22,107	$	54,863
Additions		4,880		2,473		7,353
Balance, March 31, 2022	$	37,636	$	24,580	$	62,216
Accumulated depreciation						
Balance, January 1, 2022	$	18,473	$	3,884	$	22,357
Depreciation		725		294		1,019
Balance, March 31, 2022	$	19,198	$	4,178	$	23,376
Net book value, March 31, 2022	$	18,438	$	20,402	$	38,840

9. Right-of-use asset and lease liability

On June 21, 2021, the Company entered into a lease agreement with an underlying lease commitment term from September 1, 2021, to June 30, 2024. The lease agreement provides for a monthly base rent of $1,694 for the period from September 1, 2021 - June 30, 2022, $1,976 for the period from July 1, 2022 – June 30, 2023, and $2,258 for the period from July 1, 2023 – June 30, 2024.

In accordance with IFRS 16, the Company recognized a right-of-use asset and lease obligation in relation to its lease commitment. The lease liability was recorded at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate estimated at 20% per annum. The associated right-of-use asset is measured at the amount equal to the corresponding lease liability and subsequently depreciated and the Company will record a related interest expense from the commencement date to the earlier of the end of the lease term on an effective interest rate method.

Right-of-use asset		
Balance, January 1, 2022	$	45,312
Additions		-
Amortization		(4,531)
Balance, March 31, 2022	$	40,781

Lease liability		
Balance, January 1, 2022	$	47,800
Additions		-
Interest expense		2,258
Lease payment		(5,082)
		44,976
Less: Current portion		15,562
Balance, March 31, 2022	$	29,414

(Expressed in Canadian dollars)

10. Research and Development

During the three months ended March 31, 2022, development of the Company's UNCONTAINED project continued with a prototype composed of both intangible software as well as a customized shipping container with hardware fixtures. Research and development costs of $185,597 (March 31, 2021 - $338,070) were expensed as incurred. Cumulative research and development costs on the UNCONTAINED project are as follows:

	Container and Hardware	Software and Design Labor	IP - Patents, Trademarks	Total
Balance, January 1, 2022	$ 521,952	$ 1,082,562	$ 4,886	$ 1,609,400
Expenditure	95,213	90,384	-	185,597
Balance, March 31, 2022	$ 617,165	$ 1,172,946	$ 4,886	$ 1,794,997

As at March 31, 2022, development of the prototype is in progress and it is not yet fully capable of operating in a manner intended by management.

11. Related Party Transactions

During the three months ended March 31, 2022, and 2021, the Company entered into the following transactions with related parties:

	March 31, 2022	March 31, 2021
Consulting fees paid to Chief Marketing and Design Officer	$ 24,000	$ 27,000
Equity based compensation to CEO	$ 12,775	$ -
CEO compensation	$ 25,000	$ 37,800
Consulting fees paid to company controlled by CFO	$ 70,232	$ 29,779
Share based compensation to related parties	$ 48,058	$ -

Related Party Balances

At March 31, 2022, the Company has $57,532 (December 31, 2021 - $41,533) due to related parties included in other payables and accrued liabilities and $Nil (December 31, 2021 - $17,272) due from related parties included in other receivables. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Related Party Loans

	March 31, 2022	December 31, 2021
Due to Victory Square (Parent Company)	$ 919,109	$ 1,119,109
	$ 919,109	$ 1,119,109

Loans from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

12. Loan Payable

On December 17, 2021, the Company entered into a loan agreement for a principal amount of $3,000,000, maturing on the earliest of 180 days from the closing date and either a financing or business combination transaction. The loan bears interest at a rate of 12% per annum and is, payable monthly, on the first business day of each month. As an inducement to the lender, 2,000,000 lender warrants (Note 12) were issued at an exercise price of $0.52 for a period of 4 years. Further, the loan is secured by a General Security Agreement over all of the Company's assets and property. The Company paid costs including a finder's fee of $150,000 and $16,000 in legal costs. The Company also issued 966,332 finder warrants at an exercise price of $0.52 for a period of 4 years. The costs and fair value of the finder warrants of $238,216 (Note 12) was allocated to the issuance cost of the loan payable.

The fair value of the debt component of the Loan Payable was determined at inception using the Company's incremental borrowing rate of 20%. A total of $89,944, representing the difference between the discounted value of $2,910,056 and the proceeds received of $3,000,000, was allocated to the equity component.

Interest expense, accretion expense and the amortization of debt costs are being recognized over the loan period, with a total of $332,177 being recognized as interest and accretion expense during the three months ended March 31, 2022 (March 31, 2021 - $Nil), resulting in a carrying value of $2,819,363 at March 31, 2022 (December 31, 2021 - $2,560,172).

13. CEBA

The Canadian Emergency Business Account (CEBA) loan originally launched on April 9, 2020, is intended to support businesses during the COVID-19 pandemic. The value of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at fair value using the Company's incremental borrowing rate of 20%. The difference between this discounted value of $19,749 and the proceeds received of $40,000 was recognized as a gain on CEBA loans of $20,251.

On December 4, 2020, the CEBA program was expanded and the Company received an additional $20,000 in funds on December 31, 2020. This amount was discounted to a present value of $11,193 and an additional $8,807 gain was recognized.

For the three months ended March 31, 2022, the Company recognized accretion on the CEBA loan of $1,958 (March 31, 2021 - $1,618) for an ending balance of $42,685 (December 31, 2021 - $40,727).

14. Share Capital

Authorized Share Capital

Unlimited common shares without par value.

Issued Share Capital

At March 31, 2022, there were 90,393,641 common shares outstanding (December 31, 2021 – 76,050,803).

Shares issued during the three months ended March 31, 2022

The Company issued 12,285,714 common shares in with a fair market value of $3,071,428 in relation to the acquisition of Synthesis (Note 6). In addition, there were 2,057,142 common shares issued as a finders fee with a fair market value of $370,286.

(Expressed in Canadian dollars)

13. Share Capital (Continued)

Reserve

Contributed surplus

The contributed surplus reserve records items recognized as share-based payments expense.

Warrants

The warrant reserve records the fair value of warrants issued as part of financing transactions and for services.

Warrants

The warrants outstanding as at March 31, 2022 are as follows:

Warrant	Exercise Price	Number of Shares Issuable upon Exercise	Expiry Date
Broker Warrants	$0.52	143,898	August 12, 2023
Consultant Warrants	$0.25	1,600,000	August 11, 2023
Performance Warrants	$0.25	600,000	August 11, 2026
Subscription Receipts	$0.52	3,393,217	August 12, 2023
Lender Warrants	$0.52	2,000,000	December 17, 2025
Finder Warrants	$0.52	966,332	December 17, 2025
	$0.45	8,703,447	

Warrant continuity for the period was as follows:

	Consultant Warrants	Performance Warrants	Broker Warrants	Subscription Receipts Warrants	Lender Warrants	Finder Warrants	Total
Balance, March 31, 2022 and December 31, 2021	1,600,000	600,000	143,898	3,393,217	2,000,000	966,332	8,703,447

Stock Options

These stock options vest according to specific terms on each employee, consultant, or director's stock option agreements.

The following weighted average assumptions were used in calculating the fair value of stock options granted during the year using the Black-Scholes Option Pricing Model:

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
Issued May 1, 2021	167%	0.92%	0%	5
Issued August 12, 2021	162%	0.91%	0%	5

The options outstanding at March 31, 2022 are as follows:

Exercise Price	Number of Shares Issuable	Exercisable	Expiry Date
$0.25	4,300,000	1,009,920	May 1, 2026
$0.25	3,100,000	516,667	August 12, 2026
$0.25	7,400,000	1,526,587	

(Expressed in Canadian dollars)

13. Share Capital (Continued)

The total share-based compensation for the period was as follows:

	March 31, 2022	March 31, 2021
Stock-based compensation for options vested	$ 147,211	$ -
Acquisition costs	370,286	-
CEO performance warrants	9,309	-
Stock-based compensation	$ 526,806	$ -

Stock options continuity for the year was as follows:

	Number of units
Balance, March 31, 2022 and December 31, 2021	7,400,000

14. Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The cash is deposited in a bank account in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a bank that is a high credit quality financial institution as determined by rating agencies. Credit risk on cash is assessed as low.

The Company's receivables consist of other receivables and amounts due from related parties. During the three months ended March 31, 2022, the Company wrote off receivables in the amount of $Nil (March 31, 2021 - $391) that it believed were uncollectible. Based on the evaluation of remaining receivables at March 31, 2022, the Company believes that its receivables are collectable, however, due to the current COVID-19 pandemic, there is an increase in the uncertainty of collectability and management has determined credit risk to be high.

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's main source of funding has been loans from its parent company. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

14. Financial Risk Management (Continued)

d) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company is not exposed to significant foreign exchange risk.

Fair value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is required to develop certain of these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of each class of financial instruments are discussed below.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is measured using Level 1 inputs. Instruments carried at fair value are measured using level 3 inputs.

The Company's financial instruments consist of cash and cash equivalent, other receivables, government subsidy receivable, government sales tax receivable, trade payables, loan payable, lease liability, CEBA loan, and related party balances. The carrying value of financial instruments approximates the fair value at March 31, 2022 and December 31, 2021.

15. Capital Management

The Company manages its cash as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its technology and products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. The Company will require capital resources to carry its plans and operations through its current operating year. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.